

ITALGAS: CONSOLIDATED RESULTS AS AT 31 MARCH 2023 APPROVED

Milan, 4 May 2023 - The Italgas' Board of Directors, which met today chaired by Benedetta Navarra, has approved the consolidated results as at 31 March 2023 (unaudited).

Key figures

Consolidated economic and financial highlights:

- Total revenues: € 479.9 million (+35.6%)
- Gross operating margin (EBITDA): € 297.2 million (+18.9%)
- Operating profit (EBIT): € 172.5 million (+21.6%)
- Net profit attributable to the Group: € 103.6 million (+16.5%)
- Technical investments: € 175.1 million
- Cash flow from operating activities: € 107.2 million
- Net financial debt (excluding the effects pursuant to IFRS 16)¹: € 6,016.8 million
- Net financial debt²: € 6,089.5 million

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 2,045
- Number of active meters: 7.961 million
- Gas distribution network: 81,401 Km

Sustainability highlights:

- 24.7 10³ tCO₂ eq Scope 1 and 2 (-6.4%)
- Net energy consumption: 172.3 TJ (-17.3%)
- 25,789 km of network inspected (+24.3%)
- Fugitive emissions/km investigated: 35.02 Sm³/km (-21.8%)

¹ The item expresses net financial debt excluding the effects of IFRS 16 payables and the Italgas NewCo shareholder loan, inclusive of interest.

² The item does not include liabilities for € 35.0 million consisting of the pro-rata share of the shareholder loan, including interest, to Italgas Newco S.p.A, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt.

In the first three months of 2023 Italgas Group's operational activities continue in order to achieve the network's digital transformation objectives and the sustainability targets set by the Sustainable Value Creation Plan contained in the 2022-2028 Strategic Plan. Italgas' distribution networks – smart, digital and flexible – are ready to accommodate renewable gases, such as biomethane, hydrogen and synthetic methane, and to act as a driving force for the ecological transition while guaranteeing energy security and competitive costs for industries and citizens.

Key economic indicators continue to grow, thanks to major investments in the digitization of assets, processes and people that confirm the pivotal role of technological innovation in the Group's development path.

During the period, € 175.1 million of investments were made, mainly for the extension, digital transformation and repurposing of networks. More specifically, 213 kilometres of new pipelines were laid in the first quarter of 2023.

The EBITDA for the first three months of 2023 amounted to € 297.2 million (+18.9% compared to 31 March 2022) and net profit attributable to the Group was € 103.6 million (+16.5% compared to 31 March 2022).

With reference to sustainability objectives, the significant contribution of the various innovation, digitisation and energy efficiency initiatives, both in the industrial and civil sectors, as well as the training activities aimed at informing employees on energy efficiency issues, have allowed the Group to continue on its path towards reducing net energy consumption (-17.3%) and Scope 1 and 2 climate-changing emissions (-6.4%), also in view of the inclusion of the DEPA Infrastructure Group's contributions related to 2023.

Paolo Gallo, CEO of Italgas, commented:

The results achieved in the first quarter allow us to start 2023 under the banner of growth both in terms of performance and the business development in the countries where we operate.

All economic indicators showed double-digit growth, with EBITDA increasing by 18.9% to almost € 300 million and Group Net Profit exceeding € 100 million, up 16.5% compared to the first quarter of last year, thanks also to the contribution of the activities in Greece and the ESCo company.

The € 175 million invested in this first quarter further accelerated the digital transformation of the network that makes our networks ready to accommodate the renewable gases. Such gases are strategic for an ecological transition that ensures, in line with EU objectives, energy security and cost competitiveness for citizens and businesses.

Thanks to the commitment of the men and women of the Italgas Group, we are working to provide communities with an increasingly efficient service using cutting-edge technology; the very same technologies that we have laid at the heart of our path towards a decarbonised economy.

Italgas Group structure as at 31 March 2023

The structure of the Italgas Group as at 31 March 2023 did not change from that which existed as at 31 December 2022.

Economic and financial highlights

This press release uses alternative performance indicators, including EBITDA (gross operating margin, calculated by subtracting from net profit income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment), EBIT (operating income, calculated by subtracting from net profit income taxes, net income from equity investments and net financial expense) and net financial debt (calculated as the sum of short and long-term financial debt, net of cash and cash equivalents and current assets).

The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS – IFRS.

Reclassified income statement

(€ million)	First quarter		Abs. change	Change %
	2022	2023		
Gas Distribution regulated revenues	318.3	362.8	44.5	14.0
<i>of which distribution revenues</i>	<i>296.3</i>	<i>343.5</i>	<i>47.2</i>	<i>15.9</i>
<i>of which other distribution revenues</i>	<i>22.0</i>	<i>19.3</i>	<i>(2.7)</i>	<i>(12.3)</i>
Other revenues	35.7	117.1	81.4	-
Total revenues (*)	354.0	479.9	125.9	35.6
Operating costs	(104.0)	(182.7)	(78.7)	75.7
EBITDA	250.0	297.2	47.2	18.9
Amortisation, depreciation and impairment	(108.1)	(124.7)	(16.6)	15.4
EBIT	141.9	172.5	30.6	21.6
Net financial expense	(14.0)	(19.9)	(5.9)	42.1
Net income from equity investments	0.3	0.4	0.1	33.3
Gross profit	128.2	153.0	24.8	19.3
Income taxes	(34.5)	(41.1)	(6.6)	19.1
Net profit	93.7	111.9	18.2	19.4
Net profit attributable to the Group	88.9	103.6	14.7	16.5
Net profit attributable to minority shareholders	4.8	8.3	3.5	72.9

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 156.2 and € 165.2 million respectively in the first quarter of 2023 and 2022), connection contributions (€ 4.7 million in both quarters of reference), reimbursements from third parties and other residual items (€ 5.3 million and € 0.1 million in the first quarter of 2023 and 2022, respectively).

The **total revenues** of the first quarter of 2023 amount to € 479.9 million, up by € 125.9 million compared to the corresponding period of 2022 (+35.6%) and refer to natural gas distribution regulated revenues (€ 362.8 million) and other revenues (€ 117.1 million). As at 31 March 2023, total revenue from the inclusion of the DEPA Infrastructure Group in the scope of consolidation amounted to € 43.9 million and € 108.4 million from ESCo activities.

Gas distribution regulated revenues increased by € 44.5 million compared to the same period of 2022 due to an increase in distribution revenues (€ 47.2 million) partially offset by a reduction in other regulated distribution revenues (€ -2.7 million).

The increase in **distribution revenues** (€ 47.2 million) is mainly attributable to the consolidation of the DEPA Infrastructure Group (€ 43.0 million), the increase in the reference RAB for Italy (€ 6.3 million), the increase in the deflator (€ 5.3 million), the contribution of the Sardinian networks (€ 2.6 million), the increase in the inflation index for operating costs (€ 2.6 million) and the effects of ARERA Resolution No. 737/2022³ regarding the remuneration of remote reading/remote management (€ 2.3 million) partially offset by the effect of the sale of the plants of ATEM Naples 1 to another operator (€ -12.6 million), the change in the X-factor (€ -1.8 million) and lower tariff adjustments compared with the corresponding period of 2022 (€ -0.8 million).

The decrease in **other regulated revenues** (€ -2.7 million) is mainly related to lower revenues for customer services (€ -1.5 million), lower incentives for leak detection (€ -0.9 million) and the contribution pursuant to Article 57 of ARERA Resolution no. 367/14 as subsequently amended and supplemented relating to the replacement of traditional meters with electronic ones (€ -0.7 million).

Other revenues (€ 117.1 million) increased by € 81.4 million compared to the corresponding period of 2022, mainly due to the increase in energy efficiency activities (€ 87.9 million) related to the deconsolidation of Gaxa (€ 8.7 million).

Operating costs amounted to € 182.7 million, an increase of € 78.7 million compared to the corresponding period of 2022, mainly due to higher net external costs of € 70.8 million (essentially induced by energy efficiency activities) and the consolidation of the DEPA Infrastructure Group for € 14.2 million, partially offset by lower costs related to the deconsolidation of Gaxa (€ -8.4 million) and Energy Efficiency Certificates (€ -1.0 million).

The **EBITDA** as at 31 March 2023 amounted to € 297.2 million, an increase of € 47.2 million (+18.9%) compared to the same period in 2022 (€ 250.0 million), and includes € 29.7 million from the consolidation of the DEPA Infrastructure Group and € 20.5 million resulting from ESCo activities.

Amortisation, depreciation and impairment (€ 124.7 million) increased by € 16.6 million (+15.4%) on the same period of 2022, mainly due to the investments made and the change in the scope of consolidation connected with the DEPA Infrastructure Group (€ 8.4 million).

The **EBIT** achieved in the financial year 2022 amounted to € 172.5 million, an increase of € 30.6 million compared to 31 March 2022 (+21.6%), and includes € 21.3 million from the consolidation of the DEPA Infrastructure Group and € 19.7 million from ESCo activities.

³ The Resolution, in relation to the definition of the parametric component to cover the operating and capital costs of remote reading/remote management, provides for the tariff year 2023, the activation of a single tariff component set at 1.59 euros/smart redelivery point.

Net financial expense as at 31 March 2023 amounted to € 19.9 million, up by € 5.9 million on the same period of the previous year. The increase is mainly attributable to financing operations carried out in 2022 as well as the change in the scope of consolidation due to the entry of the DEPA Infrastructure Group.

Net income from equity investments as at 31 March 2023 amounted to € 0.4 million and refer to the contribution of equity investments valued using the equity method.

Income taxes came to € 41.1 million, up € 6.6 million compared to the same value of the previous year, essentially as a consequence of the higher period result.

Net profit as at 31 March 2023 amounted to € 111.9 million (+19.4%). **Net profit attributable to the Group** came to € 103.6 million and has increased on the same period of the previous year (31 March 2022: € 88.9 million).

Reclassified Statement of Financial Position

The Italgas' Reclassified Statement of Financial Position as at 31 March 2023, compared with that as at 31 December 2022, is summarised below:

(€ million)	31.12.2022	31.03.2023	Abs. change
Fixed capital (*)	8,120.6	8,197.1	76.5
Property, plant and equipment	379.0	378.1	(0.9)
Intangible assets	7,975.5	8,026.8	51.3
Equity investments	66.2	66.3	0.1
Financial receivables and securities instrumental to operations	3.4	3.0	(0.4)
Net payables related to investments	(303.5)	(277.1)	26.4
Net working capital	340.0	460.5	120.5
Provisions for employee benefits	(69.9)	(68.8)	1.1
Assets held for sale and directly related liabilities	-	-	-
NET INVESTED CAPITAL	8,390.7	8,588.8	198.1
Shareholders' equity	2,390.6	2,499.3	108.7
- attributable to the Italgas Group	2,108.3	2,208.7	100.4
- attributable to minority shareholders	282.3	290.6	8.3
Net financial debt (**)	6,000.1	6,089.5	89.4
FUNDING	8,390.7	8,588.8	198.1

(*) Net of the effects deriving from the application of IFRS 15.

(**) The item: i) includes the effects of applying IFRS 16 amounting to € 72.7 million (€ 72.0 million as at 31 December 2022); ii) does not include liabilities amounting to € 35.0 million (€ 34.8 million as at 31 December 2021) consisting of the pro-rata share of the shareholder's loan, including interest, subordinated and convertible into shares subscribed by the shareholder Phaeton Holding SA, and deemed not to be financial debt.

The **net invested capital** at 31 March 2023 amounted to € 8,588.8 million and consists of the items outlined below.

Fixed capital (€ 8,197.1 million) was up by € 76.5 million on 31 December 2022.

Below is an analysis of the change in **Property, plant and equipment** and **Intangible assets**:

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2022	379.0	7,647.5	328.0	8,354.5
Investments	10.2	156.5	8.5	175.1
- of which IFRS 16	8.8	-	-	8.8
Amortisation, depreciation and impairment	(11.2)	(102.6)	(11.0)	(124.7)
- of which D&A pursuant to IFRS 16	(6.7)	-	-	(6.7)
Subsidies	-	(4.6)	-	(4.6)
Disposals and sales	(0.5)	(4.4)	-	(5.0)
Other changes	0.7	9.0	(0.1)	9.6
Balance at 31.03.2023	378.1	7,701.4	325.4	8,404.9

Intangible fixed assets (€ 8,026.8 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,701.4 million).

The **tangible fixed assets** (€ 378.1 million), which mainly relate to plant, buildings and industrial and commercial equipment, recorded a decrease of € 0.9 million mainly due to depreciation of € 11.2 million (of which € 6.7 million related to the right of use under IFRS 16), partially offset by investments for the period of € 10.2 million (of which € 8.8 million related to the application of IFRS 16).

Equity investments (€ 66.3 million) increased by € 0.1 million.

Consolidated **net working capital** at 31 March 2023 amounts to € 460.5 million and is broken down as follows:

(€ million)	31.12.2022	31.03.2023	Abs. change
Trade receivables	315.7	373.1	57.4
Inventories	120.5	119.5	(1.0)
Tax receivables	116.7	253.2	136.5
Accruals and deferrals from regulated activities	188.6	166.0	(22.6)
Other assets	815.1	648.8	(166.3)
Trade payables	(709.4)	(555.4)	154.0
Provisions for risks and charges	(144.3)	(139.2)	5.1
Deferred tax liabilities	(91.6)	(74.5)	17.1
Tax payables	(28.2)	(76.0)	(47.8)
Other liabilities	(243.1)	(255.0)	(11.9)
	340.0	460.5	120.5

Compared to 31 December 2022, net working capital increased by € 120.5 million mainly due to: i) higher trade receivables (€ 57.4 million) mainly due to the increase in receivables related to the "Super/ECobonus" (€ 70.0 million) and receivables from Greek sales companies (€ 11.7 million), partially offset by the decrease in receivables from CSEA (€ -32.9 million); ii) increase in net tax assets (€ 105.8 million) mainly attributable to the VAT receivable of € 100.0 million; iii) decrease in other assets (€ 166.3 million) essentially due to

receivables from CSEA for the accessory billing components of distribution⁴; iv) decrease in trade payables (€ 154.0 million) as a result of the decrease in payables to sales companies (€ 180.9 million, mainly for "Bonus gas" and UG2) offset by the increase in payables to suppliers (€ 26.2 million); v) reduction in provisions for risks and charges (€ 5.1 million); vi) increase in other liabilities for the period (€ 11.9 million).

Net financial debt

(€ million)	31.12.2022	31.03.2023	Abs. change
Financial and bond debt	6,510.8	6,487.0	(23.8)
Short-term financial debt (*)	121.1	486.0	364.9
Long-term financial debt (**)	6,317.7	5,928.3	(389.4)
Finance lease payables - IFRS 16	72.0	72.7	0.7
Funding derivative contracts Cash flow Hedge	(52.5)	(52.1)	0.4
Financial receivables and cash and cash equivalents	(458.2)	(345.4)	112.8
Cash and cash equivalents	(451.9)	(339.3)	112.6
Financial receivables	(5.6)	(5.6)	0.0
Securities not instrumental to operations	(0.7)	(0.5)	0.2
Net financial debt (**)	6,000.1	6,089.5	89.4
Finance lease payables - IFRS 16	72.0	72.7	0.7
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	5,928.1	6,016.8	88.7

(*) These include the short-term portions of long-term financial debt.

(**) Net financial debt does not include liabilities of € 35.0 million (€ 34.8 million as at 31 December 2022) consisting of the pro-rata share of the shareholder loan, including interest, to Italgas NewCo, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt.

As at 31 March 2023, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 72.7 million (€ 72.0 million as at 31 March 2022) and from the Italgas NewCo shareholders' loan share, amounted to € 6,016.8 million, up by € 88.7 million from 31 December 2022 (€ 5,928.1 million).

Financial and bond debt as at 31 March 2023 totalled € 6,487.0 million (€ 6,510.8 million as at 31 December 2022) and refer to: bonds (€ 4,464.4 million), loan agreements with the European Investment Bank (EIB) (€ 958.6 million), payables to banks (€ 991.3 million) and financial liabilities pursuant to IFRS 16 (€ 72.7 million).

Cash and cash equivalents amounted to € 339.3 million and decreased by € 112.6 million compared to 31 December 2022.

The breakdown of gross financial debt by type of interest rate as at 31 March 2023 is as follows:

(€ million)	31.12.2022	%	31.03.2023	%
Fixed rate	5,905.8	90.7%	5,890.1	90.8%
Floating rate	605.0	9.3%	596.9	9.2%
Gross financial debt	6,510.8	100.0%	6,487.0	100.0%

Fixed-rate financial liabilities amounted to € 5,890.1 million and mainly refer to bonds (€ 4,464.4 million), four EIB loans (€ 851.1 million), bank loans (€ 501.9 million) and financial liabilities pursuant to IFRS 16 (€ 72.7 million).

⁴ The change mainly concerns the "Bonus gas" and UG2 components aimed at reducing the expenditure incurred for the supply of natural gas by households in economically disadvantaged conditions, which will be reimbursed by ARERA in accordance with the regulations in force.

Floating-rate financial liabilities amounted to € 596.9 million and refer mainly to bank loans (€ 489.4 million) and an EIB loan (€ 107.5 million).

With the exception of an EIB loan with a nominal value of € 90 million signed by Toscana Energia and certain loans taken out by DEPA Infrastructure's pre-acquisition subsidiaries, as at 31 March 2023 there were no loan agreements containing financial covenants and/or that were secured by collateral.

Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 March 2023, these commitments were respected.

Reclassified Statement of Cash Flows

The reclassified statement of cash flows provided below is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁵, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	First quarter	
	2022	2023
Net profit	93.7	111.9
<i>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	109.9	123.5
- Net capital losses (capital gains) on asset sales and eliminations	(1.9)	1.9
- Interest and income taxes	49.9	61.1
Change in working capital due to operating activities	(37.8)	(172.5)
Dividends, interest and income taxes collected (paid)	(15.0)	(18.7)
Cash flow from operations (*)	198.8	107.2
Technical investments	(175.0)	(161.7)
Other changes related to investments activities	(5.1)	(25.9)
Divestments and other changes	4.7	0.1
Free cash flow before M&A transactions	23.4	(80.3)
Acquisition of business units, plant and financial assets	(13.4)	-
Free cash flow	10.0	(80.3)
Change in short- and long-term financial debt and financial receivables	(165.7)	(24.3)
Reimbursements of financial liabilities for leased assets	(5.3)	(8.0)
Capital contribution from third parties	0.2	-
Net cash flow for the year	(160.8)	(112.6)

(*) Net of the effects deriving from the application of IFRS 15.

Change in net financial debt

(€ million)	First quarter	
	2022	2023
Free cash flow before M&A transactions	23.4	(80.3)
Change due to acquisitions of equity investments, business units and assets	3.5	-
Increase in finance lease payables	(1.9)	(8.7)
Capital contribution from third parties	0.2	-
Other changes (Difference between interest accounted for, and paid fair value of derivatives)	-	(0.4)
Change in net financial debt	25.3	(89.4)

The cash flow from operating activities as at 31 March 2023 of € 107.2 million partially financed the flow from net investments of € 187.5 million, generating a negative free cash flow of € 80.3 million.

⁵ The free cash flow alternatively represents: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

Key operating figures

Investments

In 2023, technical investments were made for € 175.1 million⁶ (31 March 2022: € 179.5 million), of which € 8.8 million relating to investments accounted for in accordance with IFRS 16.

(milioni di €)	First quarter		Abs. change	Change %
	2022	2023		
Distribution	118.8	101.4	(17.4)	(14.7)
Network maintenance and development	108.7	89.9	(18.8)	(17.3)
New networks	10.1	11.5	1.4	13.6
Digitization	51.9	57.7	5.8	11.2
Other Assets	36.3	32.7	(3.6)	(9.9)
Metering	10.8	21.6	10.8	-
Processes	4.8	3.4	(1.4)	(29.2)
Other investments	8.8	16.0	7.2	82.4
- of which Real Estate	2.3	1.0	(1.3)	(58.1)
- of which ICT	5.3	4.7	(0.6)	(11.5)
- of which IFRS 16 effect	2.0	8.8	6.8	-
	179.5	175.1	(4.4)	(2.4)

Distribution investments (€ 101.4 million, -14.7% on the same period of 2022), which recorded the installation of an additional 213 km of pipeline, were driven by network development, maintenance and repurposing initiatives. The decrease compared to the corresponding 2022 period, partially offset by the inclusion of the Greek companies in the scope of consolidation, is caused by less construction of new networks, mainly due to the progressive completion of the Sardinia methanisation project. DEPA Infrastructure's subsidiaries made investments of € 17.9 million, of which € 4.0 million went into the construction of new gas distribution networks.

Investments in digitisation (€ 57.7 million, up +11.2% on the same period of 2022, of which € 1.5 million related to DEPA Infrastructure) mainly relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network, plants and metering⁷.

⁶ In the consolidation period, the DEPA Infrastructure Group made total investments of € 24.9 million.

⁷ At 31 March 2023, a total of 7.6 million smart meters have been installed in Italy as part of the plan to replace traditional meters with smart meters (93.1% of the total number of meters and practically all active meters). As at 31 March 2023, the digital meter stock installed by the DEPA Infrastructure Group amounted to 47 thousand units. Also taking into account the affiliates, over which Italgas does not exercise control, 145 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 31 March 2023 to approximately 7.7 million (92.7% of the total number of meters and practically all active meters).

Key operating figures – Italgas Group

	2022	2023	Abs. change	Change %
Active meters (millions)	7.806	7.808	0.003	-
Installed meters (millions)	8.769	8.769	-	-
Municipalities with gas distribution concessions (no.)	1,983	1,984	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,889	1,891	2.0	0.1
Distribution network (kilometres)	79,406.1	79,504.0	97.9	0.1
Gas distributed (million cubic metres)*	3,835.0	3,305.1	(529.9)	(13.8)

* The figure refers to the first quarter of the year.

Key operating figures – Italgas Group and affiliates

	2022	2023	Abs. change	Change %
Active meters (millions)	7.959	7.961	0.003	-
Installed meters (millions)	8.940	8.940	-	-
Municipalities with gas distribution concessions (no.)	2044	2045	1.0	-
Municipalities with gas distribution concessions in operation (no.)	1,950	1,952	2.0	0.1
Distribution network (kilometres)	81,309.3	81,401.0	91.7	0.1
Gas distributed (million cubic metres) *	3,953.3	3,408.3	(545.0)	(13.8)

* The figure refers to the first quarter of the year.

Sustainability - the path to decarbonisation

The Net-Zero 2050 target, set by the European Union as part of the Green Deal, and the additional boosts to fight against climate change, the reduction of greenhouse gas emissions and the differentiation of energy sources – brought about by the European Commission's REPowerEU plan and, prior to this, the Fit-for-55 package of economic and social reforms and regulations – confront individual Member States with the urgency to act in this direction.

The Russian-Ukrainian conflict has accelerated the need to reduce dependence on Russian fossil fuels and has prompted the European Union to define urgent measures for security of procurement, diversification of sources, use of renewable energy and energy efficiency. The REPowerEU Plan (2022), approved in response to the conflict, updated and increased the previously set targets on the penetration of renewable gases in the European energy mix. The new target is 35 billion cubic metres of biomethane and 20 million tonnes of hydrogen in energy supplies by 2030, respectively two and four times the target set in the “Fit-for-55” package (2021).

Even in the long term, gas will play a significant role in supporting the phase-out from coal and to ensuring energy security, continuing to account for around 27% of European energy consumption by 2050, (20% of which will be natural gas)⁸, but with a renewed composition that will reflect an increasing weight of renewable gases such as biomethane, hydrogen and synthetic methane. In this scenario, the role played by gas distribution networks, if digitised, remains key.

At the same time, energy efficiency is seen as a driver in the fight against climate change and for achieving the targets set in the Paris Agreements, both under European and Italian policies.

In this context, the Italgas Group has decided to play a leading role in the decarbonisation of the economy and consumption, through strategic decisions that have in fact anticipated the approach of national and EU institutions, embodied in Fit for 55 and REPowerEU.

The 2022-2028 Strategic Plan defines a series of investments to promote:

- the digital transformation of infrastructure, to enable the networks to effectively receive and manage gas mixes that increasingly feature renewable, zero-carbon gases, further increase the safety and resilience of infrastructure, also with a view to adapting it to climate risks, guarantee service quality and enable the large-scale introduction of predictive maintenance, more effective control of operating parameters and operations under any condition;
- boosting the circular economy and the biomethane sector in particular, considering Italy's potential production, and the growth process outlined by the REPowerEU targets, which identify biomethane and hydrogen as potential substitutes for 50% of Russian gas. In this sense, investments aim to make biomethane production plant connections to the distribution network simpler and less costly, introduce reverse-flow technology to the transport network, and develop hydrogen-ready plants and components;

⁸ ENTSOE TYNDP 2022 Visualisation Platform - Global Ambition Scenario data.

- the diversification of the business portfolio, growing the energy efficiency and water sector businesses, extending digital management of networks to these;
- the development of the gas distribution infrastructure in Greece.

The ESG criteria adopted by the Group are not only an integral part of its development strategies, but also a founding element and linchpin of many of Italgas' business model initiatives. In order to implement real economic, financial, environmental and social sustainability and to be able to create shared value, the Group has a new 2022-2028 Sustainable Value Creation Plan “Builders of the Future”⁹, which addresses all sustainability issues related to its business. Since every action of the Group has an impact, the focus is on maximising positive results and minimising potential negative outcomes, generating virtuous impacts on tangible and intangible capital used in our processes.

With this objective in mind, Italgas has structured its Plan, basing it on three pillars: Planet, People, Partnership (for a sustainable future together), corresponding to precise lines of action with clear commitments and measurable targets.

The 2022-2028 Sustainable Value Creation Plan was approved by Italgas' Board of Directors on 14 December 2022 and presented to stakeholders on 19 January 2023.

The climate change targets contained in the 2022-2028 Strategic Plan and the 2022-2028 Sustainable Value Creation Plan aim to reduce CO₂ emissions and energy consumption, putting the Group ahead of the EU targets set for 2030. Thanks to the digital transformation of the network and innovative technologies – from CRDS (Cavity Ring-Down Spectroscopy), a cutting-edge technology in the gas network monitoring field, to the know-how of its subsidiary Geoside – Italgas estimates that by 2028 it will have reduced its climate-altering emissions (Scope 1 and Scope 2) by 34% and its energy consumption by 27% by 2028, both compared to 2020 levels¹⁰. Furthermore, the Italgas Group has set itself targets in line with the main timelines defined by the Green Deal: -42% in climate-altering emissions and -33% in energy consumption by 2030 (with the same baseline and scope as defined for the previous targets) and a “Net Zero Carbon Target” by 2050, based on the above initiatives and carbon removal activities, starting from 2030.

Various initiatives developed by the subsidiary Geoside aimed at energy efficiency in both the industrial and civil sectors, as well as training activities for employees on energy efficiency issues, provide a significant contribution to the achievement of sustainability goals.

Energy consumption

The energy source used the most in the Group's activities is natural gas, in both civil and industrial uses, and for vehicles. For years, Italgas has monitored its consumption with the aim of reducing its environmental impact

⁹ <https://www.italgas.it/comunicato/italgas-il-cda-approva-il-piano-di-creazione-di-valore-sostenibile-2022-2028/>

¹⁰ With the same scope, excluding any changes following M&As, DEPA Infrastructure and ATEM (Minimum Territorial Area) tenders.

over time according to a continuous improvement process in line with the objectives identified in its 2022-2028 Strategic Plan and 2022-2028 Sustainable Value Creation Plan.

Net energy consumption for the first three months of 2023 is presented below, which also takes into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

Net energy consumption (TJ) ¹¹	First quarter		Change Abs.	Change %
	2022	2023		
Fuel energy consumption for industrial use	135.2	112.5	(22.7)	(16.8)
Fuel energy consumption for civil use	17.6	9.9	(7.7)	(43.8)
Fuel energy consumption for vehicles	33.0	34.8	1.8	5.5
Net electricity consumption for industrial use	13.5	5.7	(7.8)	(57.8)
Net electricity consumption for civil use	8.9	9.3	0.4	4.5
Thermal energy consumption for civil use	0.1	0.1	-	-
	208.3	172.3	(36.0)	(17.3)

The first three months of 2023 were characterised by a strong reduction in net consumption of total energy, which amounted to 172.3 TJ (-17.3% compared to the corresponding period of 2022, even against an increase of 6.6 TJ due to the inclusion of the DEPA Infrastructure Group).

Fuel energy consumption for industrial use recorded a decrease for the first three months of 2023 (-16.8%, from 135.2 TJ to 112.5 TJ, including the increase of 1.3 TJ related to the Greek scope). This result was achieved thanks to the continuation of the efficiency-boosting measures implemented on the Group's plant fleet, such as the replacement of boilers and the installation of optimised gas preheating systems and the digitisation of the monitoring and regulation processes, which allowed for operations under conditions of greater efficiency. The specific consumption of the preheating process (cubic metres of natural gas consumed per preheating per thousand cubic metres of gas injected into the network) records a slight decrease across the Group¹², from a value of 1.16 to 1.15.

In relation to fuel energy consumption for civil use, in the first three months of 2023, there was a decrease of 43.8% compared to the same period of the previous year (from 17.6 TJ to 9.9 TJ, despite the contribution of 0.9 TJ relating to the Greek scope), at the same time as a slight overall increase in electricity consumption, equal to 4.5% (from 8.9 TJ to 9.3 TJ, determined by the contribution of 1.6 TJ relating to the Greek scope). The reduction in total energy consumption for civil use (TJ related to gas and electricity consumption) is related to the constant process of optimising and renewing the real estate assets, in addition their "smart" management based on the continuous digitised monitoring of the main parameters of the offices and their consumption (with the resulting improvement in energy performance).

The Group's industrial electricity consumption decreased by 57.8% (from 13.5 TJ to 5.7 TJ, of which 0.2 TJ related to the Greek scope), a reduction mainly attributable to plant efficiency improvements in the

¹¹ These represent total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted. The values for the first three months of 2023 take into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

¹² Referring to Toscana Energia and Italgas Reti. If plants equipped with turbo-expanders and cogeneration were excluded, the specific consumption would fall from 1.26, referring to the first quarter of 2022, recalculated with the same perimeter adopted for 2023, to 1.08, for the first quarter of 2023, against, however, a contextual production of 6.6 TJ of electricity recorded only in the latter period in the plants in question.

management of water distribution and the self-consumption of electricity produced in city gates equipped with turbo-expanders combined with co-generation plants.

Finally, fuel energy consumption for vehicles increased by 1.8 TJ (+5.5% compared to the same period in 2022, driven by the contribution of 2.7 TJ related to the Greek scope). The reduction achieved on the Italian scope is mainly due to the optimisation of the car fleet and the progressive digitisation of business processes (online quotation service and the full adoption of Work-on-Site for monitoring construction sites), which overall lead to a significant reduction in the number of field trips by operational staff.

Greenhouse gas emissions

The Italgas Group's main greenhouse gas emission contribution is from fugitive emissions of natural gas from distribution networks, distributed gas preheating processes in the decompression systems and the use of cars in the corporate fleet.

Below are the Scope 1 and 2 CO₂eq emissions for the first three months of 2023, which also take into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

Scope 1 and Scope 2 ¹³ (thousand tCO ₂ eq)	First quarter		Change Abs.	Change %
	2022	2023		
Fugitive gas emissions (Scope 1)	16.1	15.7	(0.4)	(2.5)
Emissions from gas consumption for industrial use (Scope 1)	7.6	6.4	(1.2)	(15.8)
Emissions from gas consumption for civil use (Scope 1)	1.0	0.6	(0.4)	(40.0)
Emissions from fuel consumption for vehicles (Scope 1)	1.6	1.7	0.1	6.2
Emissions from electricity consumption for industrial use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil use (Scope 2)	0.1	0.3	0.2	200.0
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	26.4	24.7	(1.7)	(6.4)

The reduction in total emissions of 6.4% in the first three months of 2023, compared to the same period of 2022, is mainly related to reductions in fugitive emissions of the Italgas Group on the Italian and Greek scope (-2.5%). This reduction is mainly due to the shortening of the time required to locate and eliminate leaks. The 2023 investigation plan was characterised by a particular focus on the sections of the network with the highest probability of leakage, as well as an increase in the network inspected with CRDS technology, from 20,745 kilometres in the first three months of 2022 to 25,789 kilometres in the same period of 2023 (+24.3%), obtained by also inspecting the Greek network in a manner analogous to what is carried out on the Italian networks.

In the first three months of 2023, a 21.8% reduction was recorded in emissions per kilometre inspected, from 44.80 Sm³/km in the first three months of 2022 to 35.02 Sm³/km in 2023. The Group is applying an innovative model for predictive maintenance of networks that, by combining the technical-operational characteristics of the networks (e.g. age, material and pressure) with the outcome of the processing of data obtained in the field

¹³ Scope 2 market-based. The values for the first three months of 2023 take into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

via the intensive leak detection programme, will identify the areas potentially at risk of leakage and the related probability of emissions, with a view to predictive management and maintenance.

Lastly, emissions from gas consumption for civil and industrial use are in line with the described changes in consumption, while those from electricity consumption remain very low, as a result of reduced consumption and the supply of electricity from certified renewable sources for almost all volumes in Italy.

Main events of 2023

Extraordinary transactions and area tenders

In March 2023, Italgas entered into exclusive negotiations with the Veolia Environnement S.A. Group for the potential acquisition of the shares held by the Veolia Group in certain companies active in the water service in the regions of Lazio, Campania and Sicily. The planned transaction is part of the broader strategy outlined in the 2022-2028 Strategic Plan, which provides for the strengthening of the Group's presence in the water sector. As part of the ongoing negotiations, the Veolia Group granted Italgas an exclusive period of time until 10 May 2023, for the completion of its due diligence work.

In particular, the transaction concerns the potential purchase of the Veolia Group's stake in the following companies: i) 100% of the share capital of Acqua S.r.l., which directly holds 98.5% of the share capital of Idrosicilia S.p.A. and, indirectly, 75% of the share capital of Siciliacque S.p.A.; ii) 100% of Idrolatina S.r.l., which holds approximately 49% of Acqualatina S.p.A.; iii) 47.9% of Acqua Campania S.p.A.

Innovation, digitisation of the corporate networks and processes

The digital transformation of assets and processes undertaken by the Group in line with its strategic vision continued in 2023. Under the Digital Factory drive, innovation continues to produce tangible results. Examples are the application of DANA (Digital Advanced Network Automation), the innovative command and control system for the digitized gas network, to a biomethane production plant that recently went into operation and was connected to the Italgas network, and the extension of WorkOnSite, the application that enables remote management of the progress of construction sites, to the installation phase of pressure reduction units as well.

Capital transactions

On 9 March 2023, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 499,502 new ordinary shares of the Company to the beneficiaries of said Plan (third cycle of the Plan) and executed the third tranche of the share capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 619,382.48 taken from retained earnings reserves.

Other events

- On 19 January 2023, Italgas presented its 2022-2028 Sustainable Value Creation Plan, "Builders of the Future", to its stakeholders, which was approved by the Company's Board of Directors on 14 December 2022. This Plan sets out specific actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates; the document is part of the trajectory already outlined in the 2022-2028 Strategic Plan, which provides for € 8.6 billion in investments.

- On 7 February 2023, Italgas was included for the fourth consecutive year in the S&P Global Sustainability Yearbook, S&P Global's annual publication that collects best practices, experiences and success stories of the world's leading companies on sustainability issues.
Italgas has also confirmed its leadership position with inclusion in the "Top 1% S&P Global ESG Score" category, reflecting its excellent performance.
This was achieved following the Corporate Sustainability Assessment (CSA) conducted in 2022: 708 companies, out of the 7,800 assessed, were included in the 2023 Sustainability Yearbook based on their ESG scores.

Legal and Regulatory

- On 22 September 2022, Italgas Reti appealed **Resolution no. 269/2022/R/gas**, with which ARERA defined the expected outputs and performance of the metering service provided via gas smart meters (commissioning, reading frequency and granularity of the metering data over time, frequency of provision of metering data and compensation to end customers and sellers), as well as alignment with billing obligations. Specifically, the contested resolution, inter alia, assigns the distribution companies new obligations to pay compensation to sellers for metering equipment to be used for large users, starting from the metering data pertaining to October 2022, as well as additional obligations to pay compensation to end customers for small calibre metering equipment, starting from the metering data pertaining to April 2023. The setting of a date for the hearing is currently pending.
- In December 2022, Italgas Reti challenged before the Regional Administrative Court of Lombardy **Resolution no. 525/2022/R/gas** containing the *"Provision on the application of the cap on the tariff recognition of investments in start-up locations"* and **Resolution no. 528/2022/R/gas** containing the *"Criteria for the formulation of observations to the calls for tenders for the award of the natural gas distribution service in the locations identified by Article 114-ter of Decree-Law no. 34 of 19 May 2020"*. The ruling is currently pending.
- In December 2022, another operator filed an appeal with the Regional Administrative Court of Liguria requesting the annulment of all tender acts and the order of the Municipality of La Spezia to award and grant the concession in its favour, or, alternatively, compensation for the damage suffered, as well as the declaration of ineffectiveness of the service contract that may have been entered into with Italgas Reti, the current winning bidder. At present, we are waiting for the ruling by the Regional Administrative Court of Liguria.
- In 2022, Italgas Reti challenged, by means of an appeal on additional grounds within the appeal already pending before the Regional Administrative Court of Lombardy against Resolution no. 620/2021/R/gas, **Resolution no. 736/2022/R/gas** on *"the updating of tariffs for gas distribution and metering services for the year 2023"* and **Resolution no. 737/2022/R/gas** on *"the infra-period update of the tariff regulation for gas distribution and metering services, for the three-year period 2023-2025. Approval of the RTDG for the three-year period from 2023 to 2025 and amendments to the model"*

network code for the gas distribution service". The setting of a date for the hearing on the merits is currently pending.

- In December 2022, Italgas Reti brought an action for preventive technical assessment before the Court of Naples, in order to request the admission of a technical expert's report for the purpose of redetermining the amount owed to Italgas Reti by the operator who was awarded the ATEM Naples 1 contract by way of redemption value. At present, we are awaiting the Judge's lifting of the reservation set at the hearing on 14 March 2023.
- The Authority notified the Council of State of its appeal against the sentence of the Regional Administrative Court of Lombardy which, in its ruling of January 2023, upheld the appeal brought by Italgas Reti for the annulment of **Resolutions no. 603/2021/R/com** and **no. 604/2021/R/com**, with which the Authority had imposed communication obligations on distribution companies regarding the two-yearly prescription of electricity and gas consumption.
- In February 2023, Italgas Reti challenged **Resolution no. 654/2022/R/com**, by which the Authority confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of the TIWACC 2022-2027. Following the application of the so-called trigger mechanism, provided for in Article 8 of the TIWACC 2022-2027 for the updating of the WACC for the sub-period 2022-2024, the calculation of the WACC resulting from the updating of the relevant financial parameters results in a change of the WACC, for each service, of less than 50 bps (basis point spread) compared to the value in force. The setting of a date for the hearing is currently pending.
- In February 2023, Italgas Reti challenged **Resolution no. 679/2022/R/gas**, by which the Authority redetermined the reference tariffs for natural gas distribution and metering services for the years 2009 to 2021. The setting of a date for the hearing is currently pending.
- On 15 February 2023, the Regional Administrative Court of Lombardy issued its ruling on the appeal by which Italgas Reti challenged **Resolution no. 570/2019/R/gas**. In particular, the Regional Administrative Court upheld the claims relating to:
 - determination of the initial level of operating costs (and, consequently, of the x-factor);
 - alignment of the Beta coefficient for distribution and metering services;
 - non-recognition of interest on the IRMA paid for the early decommissioning of conventional meters;
 - non-publication of the regulatory impact analysis (RIA) report.

Through **Resolution no. 152/2023/C/gas**, the Authority considers that the prerequisites exist for appealing to the Council of State against the rulings whereby the Regional Administrative Court of Lombardy partially upheld the appeals lodged for the annulment of the RTDG 2020-2025, as the rulings would be based on an erroneous interpretation of the relevant factual and legal elements.

- With its ruling of 16 February 2023, the Council of State dismissed the appeal brought by the Municipality of Chiavari against the ruling of the Regional Administrative Tribunal of Liguria, which,

upholding the appeal brought by Italgas Reti, had annulled the call for tenders for the assignment of the distribution service in the territorial area GENOVA 2 – Province.

- Through **Resolution no. 123/2023/R/gas** of 28 March 2023, the Authority initiated proceedings to comply with ruling no. 9607/2022 of the Council of State in relation to the determination of the premiums due to Italgas Reti for the safety recoveries provided for in the years 2016 and 2017, with reference to the 24 plants that distribute gas in the locations (falling within the regions of Sicily, Piedmont, and Liguria) affected by the results of the survey referred to in Annex A to Resolution no. 494/2018/E/gas.

The Resolution stipulates that the proceedings shall be concluded by 31 December 2023 and that further information may be acquired in the course of the proceedings.

Significant events after year end

- Through **Resolution no. 155/2023/R/gas** of 11 April 2023, the Authority re-determined the distribution and metering tariffs for those locations subject to a request for adjustment of equity data (investments, contributions and disposals) in the years 2009-2021 and determined the definitive reference tariffs for the year 2021 for those locations whose approval had been postponed by Resolution no. 154/2022/R/gas to a subsequent measure.
- Through **Resolution no. 156/2023/R/gas** of 11 April 2023, the Authority determined the definitive reference tariffs for gas distribution and metering services for the year 2022 on the basis of the final balance sheet data for the year 2021 reported by the distribution companies.
- On 13 April 2023, Italgas Reti signed the agreement for the distribution of natural gas in ATEM Turin 1. The 12-year contract will mean that there will be one single management of the distribution service for all Municipalities, from which there will be advantages for users in terms of quality, safety and transparency in the management of the service.
- Through **Resolution no. 162/2023/R/com** of 18 April 2023, the new deadline for the conclusion of the proceedings initiated by Resolution no. 114/2022/R/gas was set at 30 September 2023 for the redetermination of the costs for the natural gas metering service, relating to smart metering/remote management systems and concentrators, for the years 2011-2016 of the company Italgas Reti.
- Through **Resolution no. 163/2023/R/com** of 18 April 2023, "*Integrated text of the criteria and general principles of the regulation for expenditure and service objectives for the 2024-2031 period (ROSS 2024-2031): approval of part I, containing the common provisions, and part II, dedicated to ROSS-base*", the common provisions for the new tariff methodology known as ROSS-base and ROSS-integral were defined.
- With its ruling of 20 April 2023, the Council of State declared inadmissible the appeal filed by ARERA against the ruling with which, on 26 July 2022, the Regional Administrative Court of Lombardy upheld the appeal filed by Toscana Energia, which declared illegitimate the silence of ARERA with respect to the application of 28 December 2020 filed by Toscana Energia for the recognition of the TEL and CON costs relating to the years 2017 and 2018. At present, we are waiting for the Council of State's ruling on the analogous case filed by Italgas Reti.

On 24 April 2023, Italgas Reti appealed with additional grounds the **Resolution no. 60/2023/R/gas** of 21 February 2023 by which the Authority defined the methods for collecting the data that distribution companies will have to make available annually to CSEA and ARERA for the purposes of providing the CIND equalisation component as part of the metering service for points equipped with class G4 and G6 smart meters in the natural gas sector. The setting of a date for the hearing is currently pending.

Business Outlook and Russia – Ukraine Conflict

In line with that set out in the 2022-2028 Strategic Plan, Italgas will continue to pursue its objectives, mainly aimed at (i) continuing the digital transformation programme, repurposing and extending the network to equip the country with cutting edge infrastructure capable of receiving and distributing renewable gas such as biomethane and green hydrogen; (ii) consolidating actions in the energy efficiency sector, with the goal of positioning itself among the leading sector operators; and (iii) capturing new external growth opportunities through ATEM tenders, M&A in the gas distribution, water and energy efficiency sectors, as well as, following the finalisation of the purchase of DEPA Infrastructure, developing the Greek market.

Russia - Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber-attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict.

It is also noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability. With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) more than 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 March 2023, of € 339.3 million, which, including in light of the existing investment plans and the operations planned in the short term, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the commodity that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service in Italy are established by ARERA and regulated in the Network Code, which also defines the system for existing financial guarantees to protect the distributor.

With reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Lastly, examining the natural gas distribution service in Greece, and in light of the scenarios illustrated above, the Group has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

Italian Legislative Decree no. 25 of 15 February 2016, effective from 18 March 2016, which implemented European Directive 2013/50/EU of 22 October 2013 (new Transparency Directive), eliminated the obligation to publish the Interim Report on Operations, previously provided for by Art. 154-ter, subsection 5 of the Consolidated Law on Finance (CLF).

In accordance with the development of the reference regulatory framework and taking into account the needs of stakeholders, Italgas has chosen to voluntarily publish periodic financial information in addition to the Annual and Half-Year Financial Report.

This decision reflects the business policy of regular and transparent disclosure of the Group's financial performance to the market and investors.

The economic and financial information was drafted in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRS) issued by the International

Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002.

Given their size, amounts of the relevant items are expressed in millions of euros to the first decimal place.

Conference call

At 4 p.m. CET today, a conference call will be held to present the results of the first quarter of 2023 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

The officer responsible for the preparation of financial reports, Giovanni Mercante, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this report corresponds to the documented results, books and accounting records.

Disclaimer

This press release contains forward-looking statements, specifically in the "Business Outlook and Russia – Ukraine Conflict" section, relating to: investment plans, financial structure evolution, future operating performance and project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. The actual results could therefore differ from those announced in relation to various factors, including: actual operating performance, general macro-economic conditions, geopolitical factors such as international tensions and socio-political instability, the effects of the pandemic, the impact of energy and environmental regulations, the successful development and application of new technologies, changes in stakeholder expectations and other changes in business conditions, as well as action by competitors.